

TOWN OF BIG STONE GAP, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

TOWN OF BIG STONE GAP, VIRGINIA
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June 30, 2015

TOWN COUNCIL:

Leonard Rogers, Mayor
Crystal Lyke, Vice-Mayor
Kent Gilley
James A. Stone
Nancy Bailey
Philip Robbins
Gary Johnson

TOWN OFFICERS:

Pat Murphy, Town Manager
Steve Hamm, Chief of Police
Judy Hall, Town Clerk/Treasurer

TOWN LEGAL COUNSEL:

Charles Bledsoe, Attorney at Law

Town of Big Stone Gap



Management Discussion and Analysis

November 24, 2015

To the Honorable Mayor and Town Council
To the Citizens of the Town of Big Stone Gap

On behalf of the Town Administration for the Town of Big Stone Gap, we offer the readers of the Town's financial statements this narrative overview and analysis of the Town for the fiscal year ended June 30, 2015.

Financial Highlights

- The assets of the Town exceeded its liabilities at the end of the fiscal year by \$41,345,872 (net position). Of this amount, \$39,466,960 can be used to meet the Town's ongoing obligations.
- At June 30, 2015, the Town reported combined ending fund balances of \$3,037,426, an increase of \$213,413 in comparison with the prior year. Approximately 17.00 % of this total amount is available for spending at the Town Council's discretion. (unassigned fund balance).
- As of June 30, 2015, the General Fund had a total Fund Balance of \$ 3,037,426.
- The Town of Big Stone Gap's total debt decreased by \$571,974 during the fiscal year. The total debt outstanding as of June 30, 2015 was \$ 15,892,233.
- As of June 30, 2015, the Town's Legal Debt Margin was \$17,828, 316.
- The Water/Sewer Proprietary Fund had a decrease in Net Position for the year of \$842,604.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components:

- Government – wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also includes other supplementary information in addition to the basic financial statements.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases to net assets may serve as a useful indicator as to whether the Town's financial position is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods, such as uncollected taxes.

The Government – wide financial statements include not only the Town of Big Stone Gap (primary government), but also its component units:

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town of Big Stone Gap can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government – Wide Financial Analysis
Summary of Statement of Net Position – June 30, 2015

	Governmental Activities	Business Type Activities	Total
Current & other assets	\$ 3,763,263	\$ 1,439,562	\$ 5,202,825
Capital assets	\$ 6,144,053	\$ 28,660,470	\$ 34,804,523
Other noncurrent assets	\$ -0-	\$ 1,028,314	\$ 1,028,314
Deferred Outflows	\$ 202,540	\$ 107,670	\$ 310,210
Total Assets	\$10,109,856	\$ 31,236,016	41,345,872
Current & other liabilities	\$ 931,912	\$ 1,228,191	\$ 2,160,103
Long-term liabilities	\$ 1,712,074	\$ 15,643,393	\$17,355,467
Deferred Inflows	\$ 399,320	\$ 196,680	\$ 596,000
Total Liabilities	\$ 3,043,306	\$ 17,068,264	\$ 20,111,570
Net Position:			
Invested in Capital assets (Net of related debt)	\$ 5,836,586	\$ 14,104,154	\$ 19,940,740
Restricted	\$ 433,933	\$ 576,522	\$ 1,010,455
Unrestricted	\$ 796,031	\$ (512,924)	\$ 283,107
Total Net Position	\$ 7,066,550	\$ 14,167,752	\$ 21,234,302

Net position serves as a useful indicator of a government's financial position. The Town's combined net position totals \$21,234,302. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$19,940,740. The Town of Big Stone Gap uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Net position includes \$1,587,132 non-spendable, \$435,429 restricted, \$147,600 committed, \$366,522 assigned, and \$500,743 is unassigned and may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the Town's net position by \$626,514. Key elements of this increase are as follows:

Governmental Activities Year Ended June 30, 2015	
Revenues:	
Program Revenues:	
Charges for Services	\$ 426,077
Operating Grants and Contributions	\$ 1,204,384
Capital Grants and Contributions	\$ 93,598
General Revenues:	
Property Taxes	\$ 1,009,334
Other Local Taxes	\$ 1,532,062
Unrestricted Intergovernmental Revenue	\$ 35,252
Unrestricted Investment Earnings	\$ 1,676
Other	\$ 440,150
Total Revenues	\$ 4,742,533
Expenses:	
General Government	\$ 1,051,566
Public Safety	\$ 1,412,244
Public Works	\$ 1,012,813
Health and Welfare	\$ 25,299
Parks, Recreation, Culture	\$ 582,673
Community Development	\$ 15,850
Interest on Long Term Debt	\$ 15,573
Non-departmental	\$ -0-
Total Expenses	\$ 4,116,018
Increase (Decrease) in Net Position	\$ 626,515

Included in the Total Expenses are non-cash items including depreciation.

Fund Financial Statements

Governmental Funds – The focus of the Town's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year. The Town's governmental funds include the General Fund and the Special Revenue Funds.

Governmental Fund Highlights:

The largest sources of revenue in the General Fund for the year are as follows:

	<u>2015</u>	<u>2014</u>
General Property Taxes	\$ 991,206	\$ 1,023,133
Other Local Taxes	\$ 1,532,062	\$ 1,508,317
Permits, Privilege Fees and Regulatory Licenses	\$ 3,814	\$ 2,382
Fines and Forfeitures	\$ 30,032	\$ 22,755
Revenue From Use of Money and Property	\$ 15,946	\$ 16,038
Charges for Services	\$ 426,077	\$ 441,186
Miscellaneous	\$ 246,530	\$ 38,470
Recovered Costs	\$ 146,301	\$ 121,000
Inter-Governmental	\$ 1,333,234	\$ 2,307,157

The Town's assessed value of real estate for the year was \$ 178,283,162. The real estate tax rate is \$.44 per \$ 100 of assessed value. For the year, the percent of levy collected was 84.37%

The Town's business type activity is the Water/Sewer Proprietary Fund. During the year this fund had net loss (change in net position) of \$53,244. Cash and cash equivalents increased by \$191,188 to \$2,581,505.

The Town's General Fund Final Budget to Actual comparison for the year was as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <i>Favorable (Unfav.)</i>
Total Revenues	\$ 5,606,874	\$ 4,932,082	\$ (674,792)
Total Expenses	\$ <u>5,606,874</u>	\$ <u>4,718,669</u>	\$ <u>888,205</u>
Excess of Revenues Over Expenses	\$ -0-	\$ 213,413	\$ 213,413

Additional information may be obtained by contacting the Town Manager, Mr. Pat Murphy or the Town Clerk/Treasurer, Ms. Judy Hall at the Town of Big Stone Gap offices 276-523-0115.

THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, in fiscal year 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which provide new accounting guidance that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employer through pension plans that are administered through trusts. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 56 through 60, the Schedules of Required Supplementary Information, including the Schedule of Changes in the Net Pension liability and Related Ratios, Schedule of Contributions, and Notes to the Required Supplemental Information, on pages 62 through 64, and the Schedules of Funding Progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

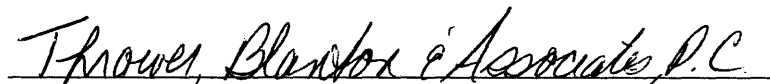
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The statistical section and compliance section information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America.

The statistical section and compliance sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Town of Big Stone Gap's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
November 24, 2015

THROWER, BLANTON & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Big Stone Gap, Virginia's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the year ended June 30, 2015, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Town's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the separately issued schedule of findings and responses that we consider to be significant deficiencies. (Ref. 2015-001 and 2015-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

Page 2

*(Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards)*

Response to Findings

The Town of Big Stone Gap's response to the findings identified in our audit is described in the separately issued schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Town of Big Stone Gap, Virginia in a separate letter dated November 24, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

Norton, Virginia
November 24, 2015

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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS, AND GRANTS

The Honorable Members of the Town Council
Town of Big Stone Gap, Virginia
Big Stone Gap, VA 24219

We have audited the financial statements of the Town of Big Stone Gap, Virginia, as of and for the year ended June 30, 2015, and have issued our report thereon dated November 24, 2015.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts, and grants applicable to the Town of Big Stone Gap, Virginia, is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Big Stone Gap's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

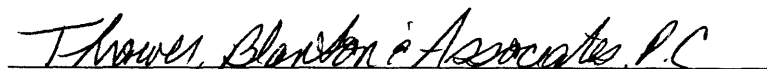
- | | |
|---------------------------------|----------------------|
| * Budget and Appropriation Laws | * Debt Provisions |
| * Cash and Investment Laws | * Procurement |
| * Conflicts of Interest | * Unclaimed Property |
| * Retirement Systems | |

State Agency Requirements

- Highway Maintenance Funds

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Big Stone Gap, Virginia, had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Town Council, management, the Auditor of Public Accounts, and applicable state agencies, and is intended to be, and should not be, used by anyone other than these specified parties.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants

November 24, 2015

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2015

EXHIBIT 1

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
<u>ASSETS</u>	<u>Activities</u>	<u>Activities</u>	
Cash and cash equivalents	\$ 1,331,984	\$ 1,196,699	\$ 2,528,683
Receivables:			
Taxes	157,686	-	157,686
Accounts	24,942	381,919	406,861
Other	66,233	-	66,233
Prepaid expenses	43,241	20,029	63,270
Due from other governmental units	101,180	-	101,180
Internal Balances	1,543,891	(1,543,891)	-
Restricted Assets:			
Cash	494,106	1,384,806	1,878,912
Capital assets, depreciable, net	3,532,640	28,660,470	32,193,110
Capital assets, non-depreciable	2,611,413	1,028,314	3,639,727
Total Assets	<u>9,907,316</u>	<u>31,128,346</u>	<u>41,035,662</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred pensions	202,540	107,670	310,210
Total Deferred Outflows of Resources	<u>202,540</u>	<u>107,670</u>	<u>310,210</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 10,109,856</u>	<u>\$ 31,236,016</u>	<u>\$ 41,345,872</u>
<u>LIABILITIES</u>			
Accounts payable	176,660	215,247	391,907
Accrued liabilities and wages	102,257	56,919	159,176
Payable From Restricted Assets:			
Deposits	-	122,300	122,300
Drug task force reserve	310,227	-	310,227
Matured revenue interest	136	22,683	22,819
OPEB liability	187,428	83,258	270,686
Long-term liabilities			
Net pension liability	1,305,160	642,840	1,948,000
Due within one year	66,961	680,015	746,976
Due in more than one year	240,506	14,904,615	15,145,121
Compensated absences			
Due within one year	88,243	47,769	136,012
Due in more than one year	166,408	95,938	262,346
Total Liabilities	<u>2,643,986</u>	<u>16,871,584</u>	<u>19,515,570</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred pensions	399,320	196,680	596,000
Total Deferred Inflows of Resources	<u>399,320</u>	<u>196,680</u>	<u>596,000</u>
<u>NET POSITION</u>			
Net investment in capital assets	5,836,586	14,104,154	19,940,740
Restricted	433,933	576,522	1,010,455
Unrestricted	796,031	(512,924)	283,107
Total Net Position	<u>7,066,550</u>	<u>14,167,752</u>	<u>21,234,302</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,109,856</u>	<u>\$ 31,236,016</u>	<u>\$ 41,345,872</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF ACTIVITIES
June 30, 2015

EXHIBIT 2

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,051,566	\$ -	\$ -	\$ -	\$ (1,051,566)	\$ -	\$ (1,051,566)
Public safety	1,412,244	67,658	336,228	23,887	(984,471)	-	(984,471)
Public works	1,012,813	288,848	860,305	-	136,340	-	136,340
Health and welfare	25,299	-	-	-	(25,299)	-	(25,299)
Parks, recreation, and cultural	582,673	69,571	7,851	62,461	(442,790)	-	(442,790)
Community development	15,850	-	-	7,250	(8,600)	-	(8,600)
Interest on long-term debt	15,573	-	-	-	(15,573)	-	(15,573)
Non-departmental	-	-	-	-	-	-	-
Total Governmental Activities	4,116,018	426,077	1,204,384	93,598	(2,391,959)	-	(2,391,959)
Business-Type Activities:							
Water	2,612,238	2,495,051	-	120,276	-	3,089	3,089
Wastewater	1,488,939	1,427,363	-	-	-	(61,576)	(61,576)
Total Business-Type Activities	4,101,177	3,922,414	-	120,276	-	(58,487)	(58,487)
TOTAL PRIMARY GOVERNMENT	\$ 8,217,195	\$ 4,348,491	\$ 1,204,384	\$ 213,874	\$ (2,391,959)	\$ (58,487)	\$ (2,450,446)
General Revenues:							
Property taxes					1,009,334	-	1,009,334
Local sales & use tax					216,601	-	216,601
Utility tax					117,459	-	117,459
Business license tax					235,597	-	235,597
Communication taxes					190,672	-	190,672
Motor vehicle license					44,237	-	44,237
Bank stock tax					105,229	-	105,229
Cigarette tax					28,550	-	28,550
Hotel and motel room tax					9,185	-	9,185
Restaurant food tax					550,805	-	550,805
Coal road improvement tax					33,727	-	33,727
Unrestricted intergovernmental revenue					35,252	-	35,252
Unrestricted investment earnings					1,676	5,243	6,919
Rental of Town property					14,270	-	14,270
Gain on sale of capital assets					-	-	-
Recovered Costs					146,301	-	146,301
Other					279,579	-	279,579
Total general revenues and transfers					3,018,474	5,243	3,023,717
Change in net position					626,514	(53,244)	573,270
NET POSITION - JULY 1, as restated					6,440,036	14,220,996	20,661,032
NET POSITION - JUNE 30					\$ 7,066,550	\$ 14,167,752	\$ 21,234,302

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
Year Ended June 30, 2015

EXHIBIT 3

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,331,984	\$ -	\$ 1,331,984
Receivables:			
Taxes	157,686	-	157,686
Accounts	24,942	-	24,942
Other	65,583	-	65,583
Prepaid expenses	43,241	-	43,241
Due from other funds	1,543,891	-	1,543,891
Due from other governmental units	101,180	-	101,180
Restricted Assets:			
Cash	494,106	-	494,106
Total Assets	<u>\$ 3,762,613</u>	<u>\$ -</u>	<u>\$ 3,762,613</u>
LIABILITIES			
Accounts payable	\$ 176,660	\$ -	\$ 176,660
Accrued payroll and related liabilities	102,257	-	102,257
Payable From Restricted Assets:			
Drug task force reserve	310,227	-	310,227
Due to other funds	-	-	-
Total Liabilities	<u>589,144</u>	<u>-</u>	<u>589,144</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	136,043	-	136,043
Total Deferred Inflows of Resources	<u>136,043</u>	<u>-</u>	<u>136,043</u>
FUND BALANCES:			
Nonspendable	1,587,132	-	1,587,132
Restricted	435,429	-	435,429
Committed	147,600	-	147,600
Assigned	366,522	-	366,522
Unassigned	500,743	-	500,743
Total Fund Balances	<u>3,037,426</u>	<u>-</u>	<u>3,037,426</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 3,762,613</u>	<u>\$ -</u>	<u>\$ 3,762,613</u>
Total Fund Balances	\$ 3,037,426		
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	6,144,053		
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	136,693		
Deferred outflows of resources reported in the Statement of Net Position	202,540		
Other liabilities are not required to be paid out of current financial resources and, therefore, are not reported in the governmental funds.	(254,651)		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,800,191)		
Deferred inflows of resources reported in the Statement of Net Position	<u>(399,320)</u>		
Net Position of Governmental Activities	<u>\$ 7,066,550</u>		

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2015

EXHIBIT 4

	<u>GOVERNMENTAL FUNDS</u>		<u>TOTAL</u>
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2015</u>
REVENUES:			
General property taxes	\$ 991,206	\$ -	\$ 991,206
Other local taxes	1,532,062	-	1,532,062
Permits, privilege fees and regulatory licenses	3,814	-	3,814
Fines and forfeitures	30,032	-	30,032
Revenue from use of money and property	15,946	7	15,953
Charges for services	426,077	20	426,097
Miscellaneous	246,530	-	246,530
Recovered costs	146,301	-	146,301
Intergovernmental	1,333,234	-	1,333,234
Total Revenues	<u>4,725,202</u>	<u>27</u>	<u>4,725,229</u>
EXPENDITURES:			
Current:			
General government administration	898,907	-	898,907
Public safety	1,522,304	-	1,522,304
Public works	1,030,370	-	1,030,370
Health and welfare	25,299	-	25,299
Parks, recreation and cultural	889,901	-	889,901
Community development	190,337	-	190,337
Non-departmental	-	-	-
Debt Service:			
Principle retirement	65,404	-	65,404
Interest	15,573	-	15,573
Total Expenditures	<u>4,638,095</u>	<u>-</u>	<u>4,638,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>87,107</u>	<u>27</u>	<u>87,134</u>
OTHER FINANCING SOURCES (USES):			
Sale of property	-	-	-
Insurance recoveries	2,779	-	2,779
Loan proceeds	123,500	-	123,500
Transfers in (out)	80,574	(80,574)	-
Total Other Financing Sources (Uses)	<u>206,853</u>	<u>(80,574)</u>	<u>126,279</u>
Net Change in Fund Balance	293,960	(80,547)	213,413
FUND BALANCE AT JULY 1	<u>2,743,466</u>	<u>80,547</u>	<u>2,824,013</u>
FUND BALANCE AT JUNE 30	<u>\$ 3,037,426</u>	<u>\$ -</u>	<u>\$ 3,037,426</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
RECONCILIATION OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

EXHIBIT 5

	<u>General Fund</u>
Net Change in Fund Balance Governmental Fund:	
Amounts reported for governmental activities in the statement of activities are different because:	\$ 213,413
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	408,279
Governmental funds report the sale of fixed assets as equal to the proceeds received from the sale. The amount required to adjust for the basis remaining on the date of sale.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,727
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(58,096)
Some expenses reported in the statement of activities, such as compensated absences, other post employment benefits and accrued interest, do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	46,191
Change in Net Position of Governmental Activities	<u>\$ 626,514</u>

TOWN OF BIG STONE GAP, VIRGINIA
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2015

EXHIBIT 6

	Water Fund 2015	Sewer Fund 2015	TOTAL June 30, 2015
ASSETS			
Cash and cash equivalents	\$ 270,680	\$ 926,019	\$ 1,196,699
Receivables (Net of Allowance for Uncollectibles):			
Accounts	267,771	114,148	381,919
Accrued interest	-	-	-
Due from other funds		1,581,435	1,581,435
Due from other governmental units	-	-	-
Prepaid expenses	13,368	6,661	20,029
Restricted Assets:			
Cash	975,775	409,031	1,384,806
Land	810,000	70,000	880,000
Capital assets, net	17,461,512	11,347,272	28,808,784
Total Assets	19,799,106	14,454,566	34,253,672
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	74,604	33,066	107,670
Total Deferred Outflows of Resources	74,604	33,066	107,670
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 19,873,710	\$ 14,487,632	\$ 34,361,342
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 162,419	\$ 52,828	\$ 215,247
Accrued wages and liabilities	42,725	14,194	56,919
Payable From Restricted Assets:			
Customer deposits	122,300	-	122,300
Due to other funds	2,831,475	293,851	3,125,326
Accrued interest payable	18,666	4,017	22,683
Bonds and notes payable	379,697	300,318	680,015
Compensated absences	36,555	11,214	47,769
Total Current Liabilities	3,593,837	676,422	4,270,259
Noncurrent liabilities:			
Bonds and notes payable	9,976,759	4,927,856	14,904,615
OPEB liability	58,737	24,521	83,258
Compensated absences	73,669	22,269	95,938
Net pension liability	437,131	205,709	642,840
Total Noncurrent Liabilities	10,546,296	5,180,355	15,726,651
Total Liabilities	14,140,133	5,856,777	19,996,910
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	133,742	62,938	196,680
Total Deferred Inflows of Resources	133,742	62,938	196,680
NET POSITION			
Net investment in capital assets	7,915,056	6,189,098	14,104,154
Restricted-Debt Service	167,491	409,031	576,522
Unrestricted	(2,482,712)	1,969,788	(512,924)
Total Net Position	5,599,835	8,567,917	14,167,752
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 19,873,710	\$ 14,487,632	\$ 34,361,342

The accompanying notes are an integral part of the financial statements

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2015

EXHIBIT 7

	Water Fund June 30, 2015	Sewer Fund June 30, 2015	TOTAL June 30, 2015
OPERATING REVENUES:			
Water rents	\$ 2,474,554	\$ -	\$ 2,474,554
Sewer rents	-	1,392,260	1,392,260
Sale of labor and materials	3,030	100	3,130
Water and sewer tap fees	6,581	1,200	7,781
Miscellaneous	10,886	33,803	44,689
	<u>2,495,051</u>	<u>1,427,363</u>	<u>3,922,414</u>
Total Operating Revenues			
OPERATING EXPENSES:			
Personal services	685,335	328,576	1,013,911
Fringe benefits	235,985	114,353	350,338
Contractual services	110,155	49,857	160,012
Other charges	608,591	324,251	932,842
Depreciation	612,747	600,452	1,213,199
	<u>2,252,813</u>	<u>1,417,489</u>	<u>3,670,302</u>
Total Operating Expenses			
Operating Income (Loss)	<u>242,238</u>	<u>9,874</u>	<u>252,112</u>
NON-OPERATING REVENUES (EXPENSES) :			
Grant revenue	99,305	-	99,305
Interconnect revenue	20,971	-	20,971
Interest income	3,334	1,909	5,243
Interest expense	(359,425)	(71,450)	(430,875)
	<u>(235,815)</u>	<u>(69,541)</u>	<u>(305,356)</u>
Total Non-Operating Revenue (Expenses)			
CHANGE IN NET POSITION	<u>6,423</u>	<u>(59,667)</u>	<u>(53,244)</u>
NET POSITION AT JULY 1, as restated	<u>5,593,412</u>	<u>8,627,584</u>	<u>14,220,996</u>
NET POSITION AT JUNE 30	<u><u>\$ 5,599,835</u></u>	<u><u>\$ 8,567,917</u></u>	<u><u>\$ 14,167,752</u></u>

TOWN OF BIG STONE GAP, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

EXHIBIT 8

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,476,210	\$ 1,395,175	\$ 3,871,385
Cash payments to suppliers for goods and services	(925,017)	(484,983)	(1,410,000)
Cash payments to employees for services	(692,318)	(341,169)	(1,033,487)
Other operating income	20,497	35,103	55,600
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>879,372</u>	<u>604,126</u>	<u>1,483,498</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in customer deposits	2,600	-	2,600
(Increase) decrease in due from other funds/governments	64,451	-	64,451
Increase (decrease) in due to other funds	-	(37,500)	(37,500)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>67,051</u>	<u>(37,500)</u>	<u>29,551</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
(Increase) decrease in capital assets	(170,335)	(63,909)	(234,244)
(Increase) decrease in construction in progress	(148,313)	-	(148,313)
Principle paid on revenue bond maturities and equipment contracts	(370,347)	(298,897)	(669,244)
Principle advances from bond and note proceeds	39,038	-	39,038
Contributed capital and Grant revenue	120,276	-	120,276
Interest paid on revenue bonds and equipment contracts	(362,585)	(72,032)	(434,617)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(892,266)</u>	<u>(434,838)</u>	<u>(1,327,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	3,334	1,909	5,243
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,334</u>	<u>1,909</u>	<u>5,243</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>57,491</u>	<u>133,697</u>	<u>191,188</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,188,964</u>	<u>1,201,353</u>	<u>2,390,317</u>
Cash and Cash Equivalents at June 30, 2015			
Unrestricted	\$ 270,680	\$ 926,019	\$ 1,196,699
Restricted	975,775	409,031	1,384,806
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,246,455</u>	<u>\$ 1,335,050</u>	<u>\$ 2,581,505</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 242,238	\$ 9,874	\$ 252,112
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	612,747	600,452	1,213,199
Provision for compensated absences	3,713	(4,091)	(378)
Net pension obligation	(40,995)	(17,015)	(58,010)
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) decrease in accounts receivable	1,656	2,915	4,571
(Increase) decrease in prepaid expenses	(13,368)	(6,661)	(20,029)
Increase (decrease) in accounts payable	74,549	22,941	97,490
Increase (decrease) in wages payable	(10,696)	(8,502)	(19,198)
Increase (decrease) in OPEB liability	9,528	4,213	13,741
TOTAL ADJUSTMENTS	<u>637,134</u>	<u>594,252</u>	<u>1,231,386</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 879,372</u>	<u>\$ 604,126</u>	<u>\$ 1,483,498</u>

Disclosure of Accounting Policy - For purposes of the statement of cash flows, the water and sewer funds consider all highly liquid investments (including restricted maturity of three months or less) when purchased to be cash equivalents.

June 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Big Stone Gap, Virginia, conform to accounting principles generally accepted in the United States of America as applicable to government units. The following is a summary of the more significant accounting policies:

Reporting Entity

The Town of Big Stone Gap, Virginia is a municipality governed by an elected seven-member council. The reporting entity of the Town has been determined in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. In addition, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. As required by those principles, these financial statements present the Town of Big Stone Gap, Virginia (the primary government).

Financial Reporting Model

GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement) which established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Because of the significant changes in financial reporting under the Statement, implementation was phased in (based on the size of the government) beginning with fiscal year ended 2002 (for larger governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) This requirement permits an optional delay for implementation to the fiscal year ending in 2008. The Town implemented the basic model in fiscal year 2005 and completed the implementation of the infrastructure-related portion of the Statement in fiscal year 2008.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

June 30, 2015

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the operations of the Community Development Fund.

The Town reports the following major proprietary funds:

The *water operation fund* provides drinking water and maintains the facilities necessary to provide this service. Its primary revenue source is user charges and fees.

The *sewer operation fund* provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The special revenue fund consists of the Community Development Fund.

Budgeting and Budgetary Accounting

Budgets are employed by the primary government as a financial control device from the General, Special Revenue, and Proprietary Funds. An annual appropriated budget is legally adopted for the General Fund through ordinances passed by Town Council.

Annual budgets prepared by management are utilized for the Special Revenue and the Proprietary Funds. Therefore, the Special Revenue and Proprietary Funds are not included in the budget and actual comparisons.

For the General Fund, the Town Manager is authorized to transfer budgeted amounts between line items of departments. Revisions that alter the total appropriations for a department must be approved by Town Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Unencumbered appropriations lapse at year-end.

Encumbrances and Commitments

The Town utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Generally, all unencumbered appropriations lapse at year end, except those for capital projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year. Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate.

Investments

No investments existed as of June 30, 2015. Certificates of Deposit with maturities of three months or greater are recorded on Exhibit 1 under the title Cash and cash equivalents and treated as cash equivalents.

Property, Plant, and Equipment

All property, plant, and equipment are valued at cost or estimated cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Depreciation for fixed assets has been provided over the following estimated useful lives using the Straight-Line Method:

	<u>All Funds</u>
Water/Sewer System	25
Buildings	40
Improvements other than buildings	25
Infrastructure	30-50
Equipment	3-20

June 30, 2015

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Fund Equity

Beginning with the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification amounts are available for any purpose. Positive Unassigned amounts are reported in the General Fund only. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Included in restricted cash are amounts held in debt service reserve accounts in the amounts of \$167,491 for the Water Fund and \$409,031 for the Sewer Fund.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

The Town reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

Employer pension contributions made after the net pension liability measurement date of June 30, 2014 and prior to the reporting date of June 30, 2015, have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2015. Deferred outflows of resources of \$202,540, and \$107,670 have been reported in Governmental Activities, and Business-Type Activities Statement of Net Position as of June 30, 2015, respectively.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2014 have been reported as a deferred inflow of resources. Deferred inflows of resources of 399,320, and \$196,680 have been reported in Governmental Activities, and Business-Type Activities Statement of Net Position as of June 30, 2015, respectively.

2. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$242,716 at June 30, 2015, and is composed of the following:

General Fund:

Allowance for uncollectible property taxes	\$ 80,583
Allowance for uncollectible garbage fees	<u>11,418</u>
Total General Fund	<u>\$ 92,001</u>

Water and Sewer Fund:

Allowance for uncollectible water and sewer fee billings	<u>\$150,715</u>
Total Water and Sewer Fund	<u>\$150,715</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

3. DEPOSITS AND INVESTMENTS

Deposits

All cash of the Town and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable laws, including regulations, the Town permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency Securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Pool (the Virginia LGIP, a 2a-7 like pool).

Credit Risk:

As required by state statute, the Town requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

Powell Valley National Bank	93%
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Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2015, all of the Town's investments are held in a bank's trust department in the Town's name.

The above items are reflected in the financial statements as follows:

Deposits and investments:

Cash on hand	\$ 500
Deposits	1,906,777
Investments	<u>2,500,318</u>
	<u>\$4,407,595</u>

Statement of net position:

Cash and cash equivalents	\$2,528,683
Investments	-
Restricted cash and cash equivalents	<u>1,878,912</u>
	<u>\$4,407,595</u>

Restricted cash and cash equivalents consist primarily of certificates of deposit.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

4. PROPERTY TAXES RECEIVABLE

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable on December 5th. The Town of Big Stone Gap bills and collects its own property taxes.

5. DUE FROM OTHER GOVERNMENTAL UNITS

Commonwealth of Virginia:		
Local sales tax	\$ 54,868	
Fire program funds	2,611	
Communication tax	<u>31,299</u>	
Total Commonwealth of Virginia		\$ 88,778
Wise County:		
Coal severance taxes	\$ 8,550	
Court fines/transfer fees	2,475	
County fire funds	<u>1,377</u>	
Total Wise County		<u>12,402</u>
Total Due From Other Governmental Units		<u>\$101,180</u>

6. INTERFUND OBLIGATIONS

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Fund	\$1,250,040	-
Sewer Fund	293,851	-
Special Revenue Fund	-	-
Water Fund:		
General Fund	-	1,250,040
Sewer Fund	-	1,581,435
Sewer Fund:		
Water Fund	1,581,435	-
General Fund	-	293,851
Special Revenue Fund:		
General Fund	-	-
Totals	<u>\$3,125,326</u>	<u>\$3,125,326</u>

7. CAPITAL ASSETS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 87,763
Public safety	79,774
Public works	35,932
Parks, recreation and cultural	<u>43,760</u>
Total depreciation expense – governmental activities	<u>\$ 247,229</u>
Business-type activities:	
Water and sewer	\$ 1,213,199
Total depreciation expense – business-type activity	<u>\$ 1,213,199</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. **CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in depreciable capital assets:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings and improvements	\$2,452,786	\$ 293,951	\$ -	\$2,746,737
Infrastructure	5,568,661	167,107	-	5,735,768
Equipment	2,905,774	130,812	-	3,036,586
Total Capital Assets, depreciable	<u>10,927,221</u>	<u>591,870</u>	<u>-</u>	<u>11,519,091</u>
Less accumulated depreciation for				
Buildings and improvements	\$1,560,654	\$ 73,881	\$ -	\$1,634,535
Infrastructure	3,781,040	65,353	-	3,846,393
Equipment	2,397,528	107,995	-	2,505,523
Total accumulated depreciation	<u>7,739,222</u>	<u>247,229</u>	<u>-</u>	<u>7,986,451</u>
Total Capital Assets, depreciable, net	<u>\$3,187,999</u>	<u>\$ 344,641</u>	<u>\$ -</u>	<u>\$3,532,640</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciable				
Buildings	\$ 337,615	\$ -	\$ (-)	\$ 337,615
Improvements	46,389,070	1,053,559	(1,748)	47,440,881
Equipment	1,302,802	100,380	(-)	1,403,182
Total Capital Assets, depreciable	<u>48,029,487</u>	<u>1,153,939</u>	<u>(1,748)</u>	<u>49,181,678</u>
Less accumulated depreciation for				
Buildings	\$ 211,112	\$ 3,653	\$ (-)	\$ 214,765
Improvements	18,010,460	1,160,534	(1,748)	19,169,246
Equipment	1,088,186	49,011	(-)	1,137,197
Total accumulated depreciation	<u>19,309,758</u>	<u>1,213,198</u>	<u>(1,748)</u>	<u>20,521,208</u>
Total Capital Assets, depreciable, net	<u>\$28,719,729</u>	<u>\$ (59,259)</u>	<u>\$ (-)</u>	<u>\$28,660,470</u>

The following is a summary of changes in non-depreciable capital assets:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$2,487,135	\$ -	\$ (-)	\$2,487,135
Construction in progress	60,639	76,884	(13,245)	124,278
Total Capital Assets, Non-depreciable	<u>\$2,547,774</u>	<u>\$ 76,884</u>	<u>\$ (13,245)</u>	<u>\$2,611,413</u>
Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 880,000	\$ -	\$ -	\$ 880,000
Constructions in progress	971,948	148,314	(971,948)	148,314
Total Capital Assets, Non-depreciable	<u>\$1,851,948</u>	<u>\$ 148,314</u>	<u>\$ (971,948)</u>	<u>\$1,028,314</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of June 30, 2015, are as follows:

Years Ending June 30,	General Obligation Refunding		General Obligation Bond		Water Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 153,107	\$ 15,919	\$ 39,096	\$ 110,641	\$ 38,129	\$ -	29,906	-
2017	156,365	12,638	40,739	108,928	38,129	-	29,906	-
2018	159,623	9,289	42,452	107,144	38,129	-	29,906	-
2019	162,880	5,870	44,236	105,284	38,129	-	29,906	-
2020	166,952	2,374	46,096	106,144	38,129	-	29,906	-
2021-2025	28,504	302	261,229	454,274	190,645	-	149,530	-
2026-2030	-	-	320,953	448,894	190,645	-	149,530	-
2031-2035	-	-	394,331	378,478	190,645	-	149,530	-
2036-2040	-	-	484,485	291,962	19,067	-	119,620	-
2041-2045	-	-	595,251	185,663	-	-	-	-
2046-2050	-	-	470,845	2,071	-	-	-	-
Totals	<u>\$ 827,431</u>	<u>\$ 46,392</u>	<u>\$ 2,739,713</u>	<u>\$ 2,299,483</u>	<u>\$ 781,647</u>	<u>\$ -</u>	<u>\$ 717,740</u>	<u>\$ -</u>

Years Ending June 30,	Water Revenue Bond		Water Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 62,248	\$ 151,832	\$ 23,137	\$ 57,143	\$ 7,935	\$ 10,743
2017	65,027	149,053	24,169	56,111	8,175	10,503
2018	67,930	146,150	25,248	55,032	8,422	10,256
2019	70,962	143,118	26,375	53,905	8,676	10,001
2020	74,129	139,946	27,552	250,778	8,938	45,910
2021-2025	423,336	614,381	157,347	226,715	48,911	38,288
2026-2030	526,641	515,490	195,743	168,296	56,764	29,444
2031-2035	655,155	443,242	243,510	111,413	65,876	19,178
2036-2040	815,028	290,198	302,932	27,936	76,452	7,264
2041-2045	738,123	63,725	290,580	-	60,323	-
2046-2050	-	-	-	-	-	-
Totals	<u>\$ 3,498,579</u>	<u>\$ 2,657,135</u>	<u>\$ 1,316,593</u>	<u>\$ 1,007,329</u>	<u>\$ 350,472</u>	<u>\$ 181,587</u>

Years Ending June 30,	Water Revenue Note		Total Water Fund Debt	
	Principal	Interest	Principal	Interest
2016	\$ 26,140	\$ 5,418	\$ 379,698	\$ 351,696
2017	27,427	4,131	389,937	341,364
2018	28,777	2,780	400,517	330,651
2019	30,194	1,364	411,358	319,542
2020	11,743	134	403,445	545,256
2021-2025	-	-	1,259,502	1,333,960
2026-2030	-	-	1,440,276	1,162,124
2031-2035	-	-	1,699,047	952,311
2036-2040	-	-	1,817,584	617,360
2041-2045	-	-	1,684,277	249,388
2046-2050	-	-	470,815	2,101
Totals	<u>\$ 124,281</u>	<u>\$ 13,827</u>	<u>\$ 10,356,456</u>	<u>\$ 6,205,753</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. LONG-TERM DEBT (Continued)

Years Ending June 30,	General Obligation Refunding		Wastewater Revenue		General Obligation Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 34,893	\$ 3,628	\$ 39,342	\$ -	\$ 20,362	\$ 66,998
2017	35,635	2,880	39,342	-	21,456	65,904
2018	36,378	2,117	39,342	-	22,234	65,126
2019	37,120	1,338	39,342	-	23,229	64,131
2020	38,048	541	39,342	-	24,269	63,382
2021-2025	6,495	69	196,711	-	139,008	333,284
2026-2030	-	-	19,672	-	172,819	297,621
2031-2035	-	-	-	-	215,105	230,911
2036-2040	-	-	-	-	267,736	180,534
2041-2045	-	-	-	-	333,281	17,835
2046-2050	-	-	-	-	296,550	23,787
Totals	<u>\$ 188,569</u>	<u>\$ 10,573</u>	<u>\$ 413,093</u>	<u>\$ -</u>	<u>\$ 1,536,049</u>	<u>\$ 1,409,513</u>

Years Ending June 30,	General Obligation Refunding		General Obligation Bond		Total Wastewater Fund Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 201,062	\$ -	\$ 4,659	\$ -	\$ 300,318	\$ 70,626
2017	201,062	-	4,659	-	302,154	68,784
2018	201,062	-	4,659	-	303,675	67,243
2019	201,062	-	4,659	-	305,412	65,469
2020	201,062	-	4,659	-	307,380	63,923
2021-2025	1,005,310	-	23,295	-	1,370,819	333,353
2026-2030	1,005,304	-	23,295	-	1,221,090	297,621
2031-2035	-	-	4,654	-	219,759	230,911
2036-2040	-	-	-	-	267,736	180,534
2041-2045	-	-	-	-	333,281	17,835
2046-2050	-	-	-	-	296,550	23,787
Totals	<u>\$ 3,015,924</u>	<u>\$ -</u>	<u>\$ 74,539</u>	<u>\$ -</u>	<u>\$ 5,228,174</u>	<u>\$ 1,420,086</u>

Changes in Long-Term Bonds/Loans:

The following is a summary of long-term bonds/loan transactions of the Town of Big Stone Gap for the year ended June 30, 2015:

	INSTALLMENT NOTE	GENERAL OBLIGATION & REVENUE BONDS		
	Governmental Notes	Water Bond	Wastewater Bond	TOTAL
Bonds/loans payable at July 01, 2014	\$ 249,371	\$10,687,765	\$5,527,071	\$16,464,207
Issuances	123,500	39,038	-0-	162,538
Retirements	(65,404)	(370,347)	(298,897)	(734,512)
Bonds/loans payable at June 30, 2015	<u>\$ 307,467</u>	<u>\$10,356,456</u>	<u>\$5,228,174</u>	<u>\$15,892,233</u>

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. LONG-TERM DEBT (Continued)

Changes in Other Long-Term Debt:

The following is a summary of other long-term debt transactions of the Town of Big Stone Gap for the year ended June 30, 2015:

	<u>Compensated Absences</u>	
	<u>Governmental</u>	<u>Propriety</u>
	<u>Fund Types</u>	<u>Fund Types</u>
Payable at July 01, 2014	\$231,586	\$144,085
Additions	111,785	66,868
Reductions	(88,720)	(67,246)
Payable at June 30, 2015	<u>\$254,651</u>	<u>\$143,707</u>

Details of Long-Term Indebtedness

Governmental Fund:

Bonds Payable:

\$165,000 general obligation bond issued May 31, 2012, to Carl and Janet Gilliam with interest of 7.21%. Monthly installments of combined interest and principal payments of \$1,300 commencing July 1, 2012, and continuing monthly thereafter for a period of nineteen years and 9 months. Final payment of principal and interest is due on March 1, 2032.

\$ 151,863

Notes Payable:

\$105,000 governmental fund note payable issued November 28, 2012, to Rural Development with interest of 3.5% for the acquisition of police vehicles. Monthly payments combined principal and interest of \$1,911 commencing December 28, 2012, and continuing monthly thereafter for a period of five years.

47,756

\$48,500 governmental fund note payable issued July 7, 2014 to Rural Development with interest of 2.50% for the acquisition of police vehicles. Monthly payments combined principal and interest of \$2,166 commencing July 12, 2014, and continuing monthly thereafter for a period of two years.

32,848

\$75,000 governmental fund note payable issued June 18, 2015, to Powell Valley National Bank with interest of 2.50% for the acquisition of a police vehicles. Annual payments of \$2,166 commencing July 18, 2015, and continuing annually thereafter for a period of three years.

75,000

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT

\$ 307,467

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. ***LONG-TERM DEBT (Continued)***
Details of Long-Term Indebtedness

Enterprise Fund:

	<u>Water</u>	<u>Wastewater</u>
General Obligation Bonds:		
\$1,556,000 general obligation refunding bond issued September 30, 2011, to Suntrust Bank, with interest at 2.12%, interest payable on each January 15 and July 15 commencing January 15, 2012. Commencing on July 15, 2012 and on each July 15 thereafter principal payments shall be made in installments. Final payment of principal and interest is due July 15, 2021.	\$ 827,431	\$ 188,569
\$93,191 general obligation sewer bond issued December 22, 2011 to Virginia Water Facilities Revolving Fund, with interest at 0%. Principal payments of \$2,329 payable November 1, 2012 and semi-annually thereafter for a period of 20 years.	-0-	74,539
\$1,121,445 general obligation water bond issued September 19, 2008, to Virginia Water Facilities Revolving Fund with no interest. Principal payments of \$18,690.75 payable January 1, 2010, and semi-annually thereafter for a period of 30 years.	717,740	-0-
\$2,900,000 general obligation and water revenue bond issued November 5, 2008, to Rural Development, with interest at 4.125%. Interest only payable on November 5, 2009, and thereafter payable in installments of combined interest and principal of \$12,615 beginning December 5, 2010, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.	2,739,713	-0-
\$4,023,000 general obligation sewer bond issued December 17, 2008 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of \$100,575 payable October 1, 2010, and semi-annually on April 1 and October 1 thereafter for a period of 20 years until paid.	-0-	3,015,924
\$363,937 general obligation and water revenue bond issued June 20, 2015, to VRA, with interest at 3.0%. Semi-annual payments of principal and interest on Jan. 1 and July 1 beginning Jan 1, 2015, and thereafter payable in installments of combined interest and principal of \$9,389. Final payment is due January 1, 2044. Total issuances on the bond as of June 30, 2015 were \$31,308.	350,472	-0-
\$1,614,000 general obligation and sewer revenue bond issued March 18, 2009, to Rural Development, with interest at 4.375%. Interest only payable on March 18, 2010, and 2011, and thereafter payable in installments on combined interest and principal of \$7,280 beginning April 18, 2011, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principal.	-0-	1,536,048

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. LONG-TERM DEBT (Continued)

Details of Long-Term Indebtedness

Enterprise Fund:

Revenue Bonds:

\$4,000,000 water revenue bonds issued May 27, 2004, to Rural Development, with interest at 4.375%. Interest is payable only on May 27, 2005, and thereafter payable in installments on combined interest and principal of \$17,840 beginning June 27, 2005, and continuing monthly thereafter for a period of 39 years until paid. Each payment is to be applied first to accrued interest and then to principal.

Water Wastewater

\$3,498,579 \$ -0-

\$1,148,460 water revenue bonds issued June 16, 2005 to Virginia Resource Authority, with interest at 0% payable in installments of \$19,141 beginning July 1, 2006, and continuing semi-annually on January 1 and July 1 thereafter for a period of 30 years until paid.

781,647 -0-

\$860,000 sewer revenue bond issued December 17, 2005 to Virginia Water Facilities Revolving Fund with no interest. Principle payments of \$21,500 payable March 1, 2006, and semi-annually on September 1 and March 1 thereafter for a period of 20 years until paid.

-0- 413,093

\$250,041 water revenue note issued November 4, 2009 to Powell Valley National Bank, with interest at 4.75%. Combined interest and principle payments of \$2,630 are due in monthly installments beginning December 4, 2009 and continuing for a period of 10 years until paid.

124,281 -0-

\$1,500,000 water revenue bonds issued June 23, 2004 to Rural Development with interest at 4.375%. Interest is payable only on June 23, 2005, and thereafter payable in installments on combined interest and principle of \$6,690 beginning July 23, 2005, and continuing monthly thereafter for a period of 40 years until paid. Each payment is to be applied first to accrued interest and then to principle.

1,316,593 -0-

TOTAL ENTERPRISE FUNDS LONG-TERM DEBT

\$10,356,456 \$5,228,174

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

10. FUND BALANCES—GOVERNMENTAL FUNDS

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 43,241	\$ —	\$ 43,241
Due from internal funds	1,543,891	—	1,581,391
Restricted:			
Law Enforcement	310,226	—	310,226
Glencoe Cemetery	88,674	—	88,674
Community Development	36,529	—	36,529
Committed:			
General Administrative	-	—	-
Law Enforcement	47,900	—	47,900
Public Works-Streets	22,100	—	22,100
Parks and Recreation	77,600	—	77,600
Assigned:			
Law Enforcement	13,019	—	13,019
Fire Department	74,059	—	74,059
Public Works	263,740	-	263,740
Cemetery	499	—	499
Parks and Recreation	15,205	—	15,205
Unassigned	500,743	—	500,743
Total fund balances	\$ 3,037,426	\$ —	\$ 3,037,426

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the finance committee has provided otherwise in its commitment or assignment actions.

June 30, 2015

11. **CLAIMS, JUDGEMENTS, AND COMPENSATED ABSENCES**

PRIMARY GOVERNMENT

In accordance with GASB Statement 16 "Accounting and Financial Reporting Principals for Claims and Judgments and Compensated Absences", the Town has accrued the liability arising from outstanding claims and judgments and compensated absences.

Town employees earn general leave according to the following schedule:

- (1) Permanent full-time employees with less than five years of service earn 1 1/2 work days per month.
- (2) Permanent full-time employees with five years, but less than ten years of service, earn two work days per month.
- (3) Permanent full-time employees with ten or more years of service earn 2 1/2 work days per month.
- (4) Part-time employees who work 1,000 hours in a given year will earn five days annual leave.

Accumulated general leave is paid upon termination according to the following schedule:

- (1) A permanent employee who is separated from the Town service shall be given full pay for his/her accumulated annual leave up to a maximum ninety (90) work days. If an employee dies while in Town service, such terminal leave shall be paid to his/her estate. No terminal leave pay will be paid to persons that are terminated for disciplinary reasons. The accumulated leave maximum of ninety (90) work days reflects a policy change from the prior maximum of thirty (30) work days. At the time of the policy change implementing the maximum leave, the Town agreed to pay five (5) employees for all accumulated leave including any amounts above the ninety (90) day maximum. Presently the Town has one employee remaining of the original five that is an exception to the maximum policy limit.

The Town has outstanding accrued general leave pay totaling \$254,651 in the Governmental Activities, and \$143,707 in the Water and Wastewater Funds.

12. **PENSION PLAN-AGENT MULTIPLE EMPLOYER**

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>benefits for hazardous duty employees</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

		<p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

		Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.

TOWN OF BIG STONE GAP, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

<p>benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable</p>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. Pension Plan-Agent Multiple-Employer (Continued)

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

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TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. *PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)*

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>51</u>
Inactive members:	
Vested inactive members	5
Non-vested Inactive members	12
Inactive members active elsewhere in VRS	<u>28</u>
Total inactive members	45
Active members	<u>53</u>
Total covered employees	<u><u>149</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 13.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$ 310,210 and \$ 259,244 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. *PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)*

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
			<u>2.50%</u>
			<u>8.33%</u>

Inflation
 * Expected arithmetic nominal return

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2013	\$ 11,218,710	\$ 8,566,778	\$ 2,651,932
Changes for the year:			
Service Cost	216,422	-	216,422
Interest	763,442	-	763,442
Differences between expected and actual experience	-	-	-
Contributions - employer	-	259,446	(259,446)
Contributions - employee	-	96,016	(96,016)
Net investment income	-	1,335,250	(1,335,250)
Benefit payments, including refunds of employee contributions	(624,795)	(624,795)	-
Administrative expenses	-	(7,355)	7,355
Other changes	-	71	(71)
Net changes	355,069	1,058,633	(703,564)
Balance at June 30, 2014	\$ 11,573,779	\$ 9,625,411	\$ 1,948,368

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(6.00%)	Rate (7.00%)	(8.00%)
Net Pension Liability	\$ 3,366,619	\$ 1,948,368	\$ 761,171

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

12. PENSION PLAN-AGENT MULTIPLE EMPLOYER (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$152,088. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	596,000
Employer contributions subsequent to the measurement date	310,210	-
Total	<u>\$ 310,210</u>	<u>\$ 596,000</u>

\$310,210 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$ (149,052)
2017	(149,052)
2018	(149,052)
2019	(149,052)
Thereafter	-
	<u>\$ (596,208)</u>

Payables to the Pension Plan

At June 30, 2015, the Town reported a payable of \$32,313 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

13. OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town of Big Stone Gap adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2010 liability.

The Town meets the requirements to use the alternative measurement method and elects to use the alternative measurement method.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2015, the Town's annual OPEB costs of \$68,664 for governmental activities and \$30,562 for business-type activities, respectively, were equal to the Annual Required Contribution (ARC).

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual required contribution	\$ 68,664	\$ 30,562	\$ 99,226
Interest on net OPEB obligation	7,797	3,471	11,268
Adjustment to annual required contribution	(8,096)	(3,515)	(11,611)
Annual OPEB cost	\$ 68,365	\$ 30,518	\$ 98,883
Contributions made (Age Adjusted)	(36,785)	(16,778)	(53,563)
Increase in net OPEB obligation	31,580	13,740	45,320
Net OPEB obligation-beginning of year	\$ 155,848	69,518	\$225,366
Net OPEB obligation-end of year	\$ 187,428	\$ 83,258	\$270,686

The Town's annual OPEB cost for governmental activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 68,365	54.3%	\$ 187,428
June 30, 2014	\$ 66,703	74.4%	\$ 155,848
June 30, 2013	\$ 66,726	45.2%	\$ 138,417

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Town's annual OPEB cost for business-type activities, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The Town's first year of implementing GASB No. 45 was June 30, 2010.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 30,518	54.3%	\$ 83,258
June 30, 2014	\$ 30,450	74.4%	\$ 69,518
June 30, 2013	\$ 30,461	45.2%	\$ 62,122

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Town of Big Stone Gap, Virginia

Activity Type	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental	\$ -0-	\$ 834,106	\$ 834,106	0.00%	\$1,336,964	62.3%
Business-type	\$ -0-	\$ 357,474	\$ 357,474	0.00%	\$ 595,065	60.0%

June 30, 2015

13. *OTHER POST-EMPLOYMENT BENEFITS (Continued)*

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine liabilities under the alternative measurement method. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. Active employees are assumed to retire at age 61 which is the historical average age of retirement for employees of the Town. Active employees age 61 or older who have qualified postemployment benefits under the plan are assumed to retire in the first projected year. A healthcare plan that includes both retirees and active employees contains a blended rate. The rate used in the calculation is the age-adjusted premium less the contribution from the retiree or blended premium. The actuarial assumptions for the Town included: inflation at 2.0 and an investment rate of return of 5.0%. The expected rate of increase in healthcare insurance premiums is based on the Getzen model promulgated by Society of Actuaries. Using the level percent of payroll method, the payroll growth rate has been set to the inflation rate. Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics. The RP2000 Mortality Tables for Males and Females Project 10 years were used. Life expectancies that include partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in paragraph 35b of GASB Statement 45. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2015 is 25 years.

Plan Description

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The Town may change, add or delete coverage as they deem appropriate and with the approval of the Town Council. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. The Town pays 100% of the premium based on the following parameters:

- 1) Employees with 15 to 19 years of continuous service at retirement receive medical and dental insurance coverage for a maximum of two years.
- 2) Employees with 20 or more years of continuous service at retirement receive medical and dental insurance coverage for a maximum of five years.
- 3) There is no coverage for dependents.

Funding Policy

The Town currently funds post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2015, the Town had not designated any funding for the OPEB liability.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

14. DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$136,043 is comprised of the following:

Deferred Property Tax Revenue:

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$136,043 at June 30, 2015.

15. COMMITMENTS AND CONTINGENCIES

Litigation

In regard to litigation involving the Town of Big Stone Gap, Virginia, we are not aware of any material contingent liabilities that could affect the financial statements.

16. SURETY BONDS

The Town of Big Stone Gap has a blanket bond with USF&G covering all town employees at \$10,000 per employee. The Town has an additional \$1,000,000 policy with Tubor Insurance Company covering the Town's public officials.

17. ENCUMBRANCES OUTSTANDING

Outstanding encumbrances of the proprietary fund types are not reflected in the accompanying financial statements as a reservation of retained earnings, in keeping with the fund type's measurement focus. However, Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. At June 30, 2015, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows (in thousands):

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund for Capital Assets	\$ -	\$ -	\$ 293,785
General Fund for Other Purposes	-	-	51,642
Total Encumbrances	\$ -	\$ -	\$ 345,427

18. COMPLIANCE WITH BOND AGREEMENTS

According to three separate water bond agreements between the Town of Big Stone Gap and Rural Development, the Town Treasurer is required to transfer amounts each month from the Revenue Fund to the Debt Reserve until there has been maintained specified amounts per the bond document for a fully funded annual reserve on each bond. Once the specified annual reserve has been accumulated no further deposits shall be required except to eliminate any deficiency in the Debt Reserve. As of June 30, 2015 the Town's required accumulated Debt Reserve for the three applicable water bonds was \$442,564; however, the Town's Debt Reserve balance was \$167,491. The Town was therefore not in compliance with its Debt Reserve requirements in the Water Fund as of June 30, 2015.

TOWN OF BIG STONE GAP
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

19. DEFICIT UNRESTRICTED NET POSITION

The Water Fund has a deficit unrestricted net position of \$2,482,712 at June 30, 2015. However, when considering the net investment in capital assets, while excluding restricted debt service amounts, the Water Fund has a positive overall net position of \$5,599,835.

20. NEW ACCOUNTING PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Government Employers*, as well as the requirements of Statement No. 50, *Pension disclosures*. GASB No. 68 requires employers to recognize a net pension liability (Asset) on the statement of net position for the net funded status of pension plans as employees earn their pension benefits and recognize annual pension cost under an “earning” approach rather than a “funding” approach. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No.69 “Government Combinations and Disposals of Government Operations”: The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2013.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB No. 68*. The objective of this Statement is to resolve an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. It also eliminates a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing GASB 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

21. RESTATEMENT OF NET POSITION

The Town implemented the financial reporting provisions of the Statements described in Note 20 for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures relating to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	General Government	Water	Sewer
Net Position as reported at June 30, 2014	\$ 8,042,676	\$ 6,130,176	\$ 8,880,180
Implementation of GASB 68	<u>(1,602,640)</u>	<u>(536,764)</u>	<u>(252,596)</u>
Net Position as restated at June 30, 2014	<u>\$ 6,440,036</u>	<u>\$ 5,593,412</u>	<u>\$ 8,627,584</u>

June 30, 2015

22. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 30, 2015, the date which the financial statements were available to be issued.

23. **FUTURE ACCOUNTING PRONOUNCEMENTS**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town will adopt this Statement for fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The City has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town will adopt this Statement for fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town will adopt this Statement for fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town will adopt this Statement for fiscal year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Town has not completed the evaluation of the impact that the implementation of this Statement will have on the financial statements. The Town will adopt this Statement for fiscal year ending June 30, 2016.

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

SCHEDULE 1
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>PRIMARY GOVERNMENT</u>				
GENERAL FUND:				
Revenue from Local Sources:				
General Property Taxes:				
Real property taxes	\$ 770,000	\$ 770,000	\$ 757,725	\$ (12,275)
Real and personal public service corporation property taxes	45,000	45,000	38,598	(6,402)
Personal property taxes	164,000	164,000	163,146	(854)
Machinery and tools taxes	300	300	443	143
Penalties and interest	27,300	27,300	31,294	3,994
Total General Property Taxes	<u>1,006,600</u>	<u>1,006,600</u>	<u>991,206</u>	<u>(15,394)</u>
Other Local Taxes:				
Local sales and use taxes	220,000	220,000	216,601	(3,399)
Cigarette taxes	32,000	32,000	28,550	(3,450)
Utility taxes	115,000	115,000	117,459	2,459
Business licenses taxes	271,100	271,100	235,597	(35,503)
Communication taxes	200,000	200,000	190,672	(9,328)
Motor vehicle licenses	60,000	60,000	44,237	(15,763)
Bank stock taxes	100,000	100,000	105,229	5,229
Hotel and motel room taxes	12,000	12,000	9,185	(2,815)
Restaurant food taxes	540,000	540,000	550,805	10,805
Coal road improvement taxes	80,000	80,000	33,727	(46,273)
Total Other Local Taxes	<u>1,630,100</u>	<u>1,630,100</u>	<u>1,532,062</u>	<u>(98,038)</u>
Permits, Privilege Fees, And Regulatory Licenses	<u>4,300</u>	<u>4,300</u>	<u>3,814</u>	<u>(486)</u>
Fines and Forfeitures	<u>25,150</u>	<u>25,150</u>	<u>30,032</u>	<u>4,882</u>
Revenue From Use Of Money and Property:				
Revenue from use of money	2,300	2,300	1,676	(624)
Revenue from use of property	<u>22,700</u>	<u>22,700</u>	<u>14,270</u>	<u>(8,430)</u>
Total Revenue From Use of Money and Property	<u>25,000</u>	<u>25,000</u>	<u>15,946</u>	<u>(9,054)</u>
Charges For Services:				
Fire services	13,000	13,000	5,428	(7,572)
Security	1,000	1,000	2,230	1,230
Charges for sanitation and waste removal	295,000	295,000	288,848	(6,152)
Charges for parks and recreation	34,300	34,300	38,901	4,601
Cemetery plots and materials	40,000	40,000	30,670	(9,330)
Police Restitution	66,727	133,463	60,000	(73,463)
Charges for maintenance of highways, bridges, and streets	-	-	-	-
Total Charges For Services	<u>450,027</u>	<u>516,763</u>	<u>426,077</u>	<u>(90,686)</u>
Miscellaneous Revenue	<u>33,000</u>	<u>233,000</u>	<u>246,530</u>	<u>13,530</u>
Recovered Costs	<u>121,000</u>	<u>121,000</u>	<u>146,301</u>	<u>25,301</u>
Total Revenue From Local Sources	<u>\$ 3,295,177</u>	<u>\$ 3,561,913</u>	<u>\$ 3,391,968</u>	<u>\$ (169,945)</u>

The accompanying notes are and integral part of the financial statements.

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND REVENUES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

SCHEDULE 1
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue From The Commonwealth:				
Non-Categorical Aid:				
ABC profits	\$ -	\$ -	\$ -	\$ -
Wine taxes	-	-	-	-
Motor vehicle carriers' taxes	1,000	1,000	3,773	2,773
Mobile home titling taxes	1,000	1,000	4,529	3,529
Rolling stock taxes	10,000	10,000	9,486	(514)
Coal haul road revenue	50,000	50,000	16,415	(33,585)
Assistance to localities with police departments	138,000	138,000	138,888	888
Total Non-Categorical Aid	<u>200,000</u>	<u>200,000</u>	<u>173,091</u>	<u>(26,909)</u>
Other Categorical Aid:				
Street and highway maintenance	813,400	813,400	860,305	46,905
Litter control	3,200	3,200	2,851	(349)
Financial assistance to the arts	5,000	5,000	5,000	-
Fire programs fund	16,000	16,000	18,785	2,785
VDOT(GREENBELT)	217,500	217,500	21,007	(196,493)
VDOT(SIGNAL PROJECTS)	370,000	370,000	41,454	(328,546)
Total Other Categorical Aid	<u>1,425,100</u>	<u>1,425,100</u>	<u>949,402</u>	<u>(475,698)</u>
Total Revenue From The Commonwealth	<u>1,625,100</u>	<u>1,625,100</u>	<u>1,122,493</u>	<u>(502,607)</u>
Revenue From The Federal Government:				
Payment In Lieu of Taxes:				
Payment in lieu of property taxes	<u>49,500</u>	<u>49,500</u>	<u>42,099</u>	<u>(7,401)</u>
Total Payment in Lieu of Taxes	<u>49,500</u>	<u>49,500</u>	<u>42,099</u>	<u>(7,401)</u>
Categorical Aid:				
Edward Byrne Memorial Formula Grant	-	2,548	2,548	-
HIDTA Grant	116,250	150,115	120,375	(29,740)
Community Developmnet Block Grant	-	-	7,250	7,250
Rural Development Grant	-	-	23,887	23,887
Big Stone Gap DUI Grant	-	18,438	14,582	(3,856)
Total Categorical Aid	<u>116,250</u>	<u>171,101</u>	<u>168,642</u>	<u>(2,459)</u>
Total Revenue From The Federal Government	<u>165,750</u>	<u>220,601</u>	<u>210,741</u>	<u>(9,860)</u>
Prior Years Surplus	<u>-</u>	<u>49,260</u>	<u>-</u>	<u>49,260</u>
TOTAL GENERAL FUND	<u>5,086,027</u>	<u>5,456,874</u>	<u>4,725,202</u>	<u>(633,152)</u>
Community Development Fund:				
Revenue From Local Sources:				
Revenue from use of money	-	-	7	7
Total Revenue From Local Sources	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
Total Community Development Fund	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
Charges for services:				
Collection fees	-	-	20	20
Total Charges for Services	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>
TOTAL SPECIAL REVENUE FUNDS	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
GRAND TOTALS - REVENUES - PRIMARY GOVERNMENT FUNDS	<u>\$ 5,086,027</u>	<u>\$ 5,456,874</u>	<u>\$ 4,725,229</u>	<u>\$ (633,125)</u>

The accompanying notes are and integral part of the financial statements.

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

SCHEDULE 2
Page 1

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PRIMARY GOVERNMENT				
GENERAL FUND:				
General Government Administration:				
Legislative:				
Town Council	\$ 43,600	\$ 43,600	\$ 41,487	\$ 2,113
Mayor	4,600	4,600	3,685	915
Total Legislative	<u>48,200</u>	<u>48,200</u>	<u>45,172</u>	<u>3,028</u>
General and Financial Administration:				
Town Manager	188,625	198,625	133,765	64,860
Legal and consulting	42,500	42,500	45,022	(2,522)
Independent auditor	18,000	18,000	16,920	1,080
Treasurer/Clerk	198,000	198,000	193,894	4,106
Accounting	68,400	68,400	63,919	4,481
Risk management	128,625	128,625	121,551	7,074
Automotive/motor pool	138,500	138,500	131,418	7,082
Central purchasing	84,300	84,300	83,482	818
Data processing	66,300	66,300	63,764	2,536
Total General and Financial Administration	<u>933,250</u>	<u>943,250</u>	<u>853,735</u>	<u>89,515</u>
Total General Government Administration	<u>981,450</u>	<u>991,450</u>	<u>898,907</u>	<u>92,543</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	1,137,500	1,174,315	1,208,599	(34,284)
Drug task force	182,978	283,580	173,041	110,539
Total Law Enforcement and Traffic Control	<u>1,320,478</u>	<u>1,457,895</u>	<u>1,381,640</u>	<u>76,255</u>
Fire and Rescue Services:				
Volunteer fire department	134,300	134,300	113,922	20,378
Ambulance and rescue services	5,000	5,000	10,000	(5,000)
Total Fire and Rescue Services	<u>139,300</u>	<u>139,300</u>	<u>123,922</u>	<u>15,378</u>
Inspections:				
Building	17,355	17,355	16,742	613
Plumbing	-	-	-	-
Total Inspections	<u>17,355</u>	<u>17,355</u>	<u>16,742</u>	<u>613</u>
Total Public Safety	<u>1,477,133</u>	<u>1,614,550</u>	<u>1,522,304</u>	<u>92,246</u>
Public Works:				
Maintenance of Highways, Streets, Bridges and Sidewalks:				
Highways, streets, bridges, and sidewalks	969,300	997,300	522,693	474,607
Storm drainage	15,000	15,000	26,831	(11,831)
Street lights	79,500	79,500	90,046	(10,546)
Snow and ice removal	34,000	29,000	19,036	9,964
Curbs and guttering	25,000	11,000	8,500	2,500
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>1,122,800</u>	<u>1,131,800</u>	<u>667,106</u>	<u>464,694</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

SCHEDULE 2
Page 2

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sanitation and Waste Removal:				
Refuse collection	\$ 229,450	\$ 229,450	\$ 248,269	\$ (18,819)
Litter control	-	-	-	-
Total Sanitation and Waste Removal	<u>229,450</u>	<u>229,450</u>	<u>248,269</u>	<u>(18,819)</u>
Maintenance of General Buildings and Grounds:				
General properties	<u>151,500</u>	<u>151,580</u>	<u>114,995</u>	<u>36,585</u>
Total Public Works	<u>1,503,750</u>	<u>1,512,830</u>	<u>1,030,370</u>	<u>482,460</u>
Health and Welfare:				
Area agency on aging	-	-	-	-
Property tax relief for elderly	-	-	25,299	(25,299)
Total Welfare/Social Services	<u>-</u>	<u>-</u>	<u>25,299</u>	<u>(25,299)</u>
Total Health and Welfare	<u>-</u>	<u>-</u>	<u>25,299</u>	<u>(25,299)</u>
Parks, Recreation and Cultural:				
Administration	727,294	929,644	650,739	278,905
Green Belt Trail	272,000	257,000	24,533	232,467
Maintenance	13,500	28,500	49,560	(21,060)
Swimming pool	51,900	51,900	33,486	18,414
Cemeteries	84,900	84,900	101,083	(16,183)
Team activities	-	-	-	-
Farmers Market	-	-	-	-
Big Cherry Lake	-	-	-	-
Total Parks and Recreation	<u>1,149,594</u>	<u>1,351,944</u>	<u>859,401</u>	<u>492,543</u>
Cultural Enrichment:				
Pro-Art	4,000	4,000	4,000	-
Lonesome Pine Arts and Crafts	4,000	4,000	4,000	-
Contribution to Gap Corporation	10,000	10,000	2,500	7,500
Crooked Road	-	-	-	-
Miscellaneous	21,000	21,000	19,500	1,500
Total Cultural Enrichment	<u>39,000</u>	<u>39,000</u>	<u>30,000</u>	<u>9,000</u>
Library:				
Payments to regional library	<u>2,500</u>	<u>2,500</u>	<u>500</u>	<u>2,000</u>
Total Parks, Recreation and Cultural	<u>1,191,094</u>	<u>1,393,444</u>	<u>889,901</u>	<u>503,543</u>
Community Development:				
Planning	-	-	13,550	(13,550)
Community development	-	12,000	176,787	(164,787)
Total Planning and Community Development	<u>-</u>	<u>12,000</u>	<u>190,337</u>	<u>(178,337)</u>
Total Community Development	<u>-</u>	<u>12,000</u>	<u>190,337</u>	<u>(178,337)</u>

TOWN OF BIG STONE GAP, VIRGINIA
GOVERNMENTAL FUND EXPENDITURES
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

SCHEDULE 2
Page 3

	<u>Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non-Departmental:				
Contingency	\$ -	\$ -	\$ -	\$ -
Christmas decorations	-	-	-	-
Total Non-Departmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:				
Principal retirement	\$ 82,600	\$ 82,600	\$ 65,404	\$ 17,196
Interest	-	-	15,573	(15,573)
Total Non-Departmental	<u>82,600</u>	<u>82,600</u>	<u>80,977</u>	<u>1,623</u>
 TOTAL GENERAL FUND	 <u>5,236,027</u>	 <u>5,606,874</u>	 <u>4,638,095</u>	 <u>968,779</u>
 <u>SPECIAL REVENUE FUNDS:</u>				
Community development	-	-	-	-
Transfers (in)out	-	-	80,574	80,574
Total Community Development	<u>-</u>	<u>-</u>	<u>80,574</u>	<u>80,574</u>
 TOTAL SPECIAL REVENUE FUNDS	 <u>-</u>	 <u>-</u>	 <u>80,574</u>	 <u>80,574</u>
 GRAND TOTAL - EXPENDITURES - PRIMARY GOVERNMENT FUNDS	 <u>\$ 5,236,027</u>	 <u>\$ 5,606,874</u>	 <u>\$ 4,718,669</u>	 <u>\$ 1,049,353</u>
OTHER FINANCING RESOURCES (USES):				
Sale of property	-	-	-	-
Insurance recoveries	-	-	2,779	2,779
Loan proceeds	-	-	123,500	123,500
Transfers in (out)	150,000	150,000	80,574	69,426
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>206,853</u>	<u>195,705</u>
 Net Increase (Decrease) in Fund Balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 213,413</u>	 <u>\$ 213,413</u>

TOWN OF BIG STONE GAP, VIRGINIA
STATEMENT OF TREASURER'S ACCOUNTABILITY
June 30, 2015

SCHEDULE 3

ASSETS HELD BY THE TREASURER:

Cash on hand	\$	<u>500</u>
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Cash in banks:

Checking:

Wells Fargo	740	
Powell Valley National Bank	<u>1,414,245</u>	
Total Checking		1,414,985

Savings:

Branch Bank and Trust	125,179	
Powell Valley National Bank	<u>366,613</u>	
Total savings		491,792

Certificates of Deposit:

Powell Valley National Bank	2,327,864	
New Peoples Banks	<u>172,454</u>	
Total Certificates of Deposit		<u>2,500,318</u>

TOTAL CASH IN BANKS	\$	<u>4,407,095</u>
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TOTAL CASH	\$	<u>4,407,595</u>
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LIABILITIES OF THE TREASURER:

BALANCE OF TOWN FUNDS	\$	<u>4,407,595</u>
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TOWN OF BIG STONE GAP
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 216,422
Interest	763,442
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(624,795)
Net change in total pension liability	<u>355,069</u>
Total pension liability - beginning	<u>11,218,710</u>
Total pension liability - ending	<u><u>\$ 11,573,779</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 259,446
Contributions - employee	96,016
Net investment income	1,335,250
Benefit payments, including refunds of employee contributions	(624,795)
Administrative expense	(7,355)
Other	71
Net change in total pension liability	<u>1,058,633</u>
Total pension liability - beginning	<u>8,566,778</u>
Total pension liability - ending	<u><u>\$ 9,625,411</u></u>
 Political subdivision's net pension liability - ending	 \$ 1,948,368
 Plan fiduciary net position as a percentage of the total pension liability	 83.17%
 Covered - employee payroll	 \$ 1,932,503
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 100.82%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.

TOWN OF BIG STONE GAP
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
JUNE 30, 2015

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 310,210	\$ 310,210	\$ -	\$ 1,932,503	16.05%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only one year is shown herein.
 Additional years will be included as they become available

TOWN OF BIG STONE GAP
Notes to Required Supplemental Information
For the Year Ended June 30, 2015

Change of benefit terms - There have been no significant changes to the Systems benefits provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

CONTENTS	PAGE
FINANCIAL TRENDS	66
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
REVENUE CAPACITY	70
These schedules contain trend information to help the reader assess the Town's most significant local revenue source, the property tax.	
DEBT CAPACITY	74
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
ECONOMIC AND DEMOGRAPHIC INFORMATION	77
These schedules offer economic and demographic indicators to help the reader understand the Environment within which the town's financial activities take place.	
OPERATING INFORMATION	79
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

TOWN OF BIG STONE GAP, VIRGINIA
NET ASSETS BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,840,489	\$ 3,870,572	\$ 4,322,378	\$ 4,210,611	\$ 4,179,588	\$ 4,314,741	\$ 4,723,153	\$ 4,918,489	\$ 5,486,403	\$ 5,836,586
Restricted	-	-	-	-	-	200,446	454,022	420,705	498,697	433,933
Unrestricted	290,736	419,933	641,213	1,180,943	1,726,246	1,941,252	1,695,739	1,901,976	2,057,576	796,031
Total governmental activities net position	4,131,225	4,290,505	4,963,591	5,391,554	5,905,834	6,456,439	6,872,914	7,241,170	8,042,676	7,066,550
Business-type activities										
Invested in capital assets, net of related debt	7,019,173	7,928,103	8,569,892	9,003,225	10,708,386	12,017,827	12,940,723	13,790,758	14,356,841	14,104,154
Restricted	-	-	-	-	-	-	-	519,418	566,989	576,522
Unrestricted	1,292,633	885,858	893,538	1,491,719	1,601,325	1,857,691	1,733,800	266,697	86,526	(512,924)
Total business-type activities	8,311,806	8,813,961	9,463,430	10,494,944	12,309,711	13,875,518	14,674,523	14,576,873	15,010,356	14,167,752
Primary government										
Net investment in capital assets	10,859,662	11,798,675	12,892,270	13,213,836	14,887,974	16,332,568	17,663,876	18,709,247	19,843,244	19,940,740
Restricted	-	-	-	-	-	200,446	454,022	940,123	1,065,686	1,010,455
Unrestricted	1,583,369	1,305,791	1,534,751	2,672,662	3,327,571	3,798,943	3,429,539	2,168,673	2,144,102	283,107
Total primary government net position	\$ 12,443,031	\$ 13,104,466	\$ 14,427,021	\$ 15,886,498	\$ 18,215,545	\$ 20,331,957	\$ 21,547,437	\$ 21,818,043	\$ 23,053,032	\$ 21,234,302

- 1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34
- 2) Accounting standards require net position be reported in three categories in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or) imposed by law through constitutional provisions or enabling legislation.

TABLE 2

**TOWN OF BIG STONE GAP, VIRGINIA
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 861,508	\$ 717,663	\$ 750,048	\$ 793,862	\$ 853,099	\$ 752,749	\$ 725,015	\$ 825,324	\$ 994,202	\$ 1,051,566
Public safety	1,278,834	1,371,247	1,680,063	1,788,780	1,794,103	1,711,243	1,608,733	1,770,301	1,724,958	1,412,244
Public works	1,137,172	1,195,888	1,195,768	1,057,026	1,156,339	1,087,526	1,156,507	1,321,308	1,340,341	1,012,813
Health and welfare	18,399	29,134	18,697	19,267	27,639	27,892	29,003	34,398	32,417	25,299
Parks, recreation and cultural	571,915	485,523	502,666	429,139	483,823	492,531	558,739	654,966	574,353	582,673
Community development	74,191	4,768	37,805	132,685	8,907	133,659	202,116	155,970	2,700	15,850
Interest on long-term debt	19,775	13,021	7,455	3,479	3,727	2,907	2,568	16,125	15,805	15,573
Non-departmental	3,762	19,745	15,264	4,469	331	100	-	-	-	-
Total government activities expense	3,965,556	3,836,989	4,207,766	4,228,707	4,327,968	4,208,607	4,282,681	4,778,392	4,684,776	4,116,018
Business-Type Activities:										
Water	3,069,246	2,336,166	2,324,170	2,382,111	2,554,898	2,599,843	2,816,255	2,910,990	2,839,093	2,612,238
Wastewater	1,031,861	1,023,874	1,173,133	1,197,494	1,422,626	1,561,332	1,531,330	1,555,631	1,499,681	1,488,939
Total business-type activities expenses	4,101,107	3,360,040	3,497,303	3,579,605	3,977,524	4,161,175	4,347,585	4,466,621	4,338,774	4,101,177
Total primary government expenses	\$ 8,066,663	\$ 7,197,029	\$ 7,705,069	\$ 7,808,312	\$ 8,305,492	\$ 8,369,782	\$ 8,630,266	\$ 9,245,013	\$ 9,023,550	\$ 8,217,195
Program Revenues										
Governmental Activities:										
Charges for services										
Public safety	\$ 11,853	\$ 6,261	\$ 98,895	\$ 86,494	\$ 90,531	\$ 74,333	\$ 26,966	\$ 135,528	\$ 80,175	\$ 67,658
Public works	293,123	295,188	293,745	302,458	298,475	299,240	299,072	294,572	289,306	288,848
Parks, recreation and culture	49,559	49,115	47,326	65,745	82,602	68,182	68,536	74,812	70,685	69,571
Community development	-	-	-	-	-	-	-	-	1,020	-
Operating grants and contributions	821,414	883,801	862,762	1,098,713	1,205,841	1,127,046	1,345,211	1,106,199	1,410,673	1,204,384
Capital grants and contributions	96,992	66,048	87	97,714	31,500	25,167	5,000	69,422	867,894	93,598
Total governmental activities program revenues	1,272,941	1,300,413	1,302,815	1,651,124	1,708,949	1,593,968	1,744,785	1,680,533	2,719,753	1,724,059
Business-Type Activities:										
Charges for services										
Water	1,616,708	1,493,323	1,619,820	2,451,915	2,590,632	2,448,059	2,578,259	2,523,599	2,583,230	2,495,051
Wastewater	1,308,352	1,222,785	1,251,343	1,226,704	1,266,356	1,384,341	1,485,525	1,424,508	1,550,445	1,427,363
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	763,601	2,241,987	974,638	445,790	731,453	1,931,772	1,645,042	1,186,401	634,481	213,874
Total business-type activities program revenues	3,688,661	4,958,095	3,845,801	4,124,409	4,588,441	5,764,172	5,708,826	5,134,508	4,768,156	4,136,288
Total primary government program revenues	\$ 4,961,602	\$ 6,258,508	\$ 5,148,616	\$ 5,775,533	\$ 6,297,390	\$ 7,358,140	\$ 7,453,611	\$ 6,815,041	\$ 7,487,909	\$ 5,860,347
Net (Expense)/Revenue										
Governmental Activities	\$ (2,692,615)	\$ (2,536,576)	\$ (2,904,951)	\$ (2,577,583)	\$ (2,619,019)	\$ (2,614,639)	\$ (2,537,896)	\$ (3,097,859)	\$ (1,965,023)	\$ (2,391,959)
Business-Type Activities:	(412,446)	1,598,055	348,498	544,804	610,917	1,602,997	1,361,241	667,887	429,382	(58,487)
Total primary government net (expense)/revenue	\$ (3,105,061)	\$ (938,521)	\$ (2,556,453)	\$ (2,032,779)	\$ (2,008,102)	\$ (1,011,642)	\$ (1,176,655)	\$ (2,429,972)	\$ (1,535,641)	\$ (2,450,446)

TABLE 2 cont.

TOWN OF BIG STONE GAP, VIRGINIA
CHANGES IN NET POSITION-CONTINUED (UNAUDITED)
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 846,093	\$ 845,746	\$ 841,344	\$ 846,783	\$ 990,112	\$ 996,365	\$ 985,082	\$ 996,372	\$ 1,021,829	\$ 1,009,334
Local sales & use tax	181,639	195,894	237,048	246,805	397,989	278,650	210,028	200,693	188,713	216,601
Utility tax	273,123	215,039	121,292	122,002	120,987	121,666	114,829	108,135	120,608	117,459
Business license tax	226,785	255,666	258,033	259,342	255,043	257,689	272,666	262,667	224,685	235,597
Franchise license tax	46,657	22,843	-	-	-	-	-	-	-	-
Communication tax	-	60,863	216,926	203,829	197,280	202,260	191,746	212,801	192,354	190,672
Motor vehicle license	70,076	70,196	67,853	65,787	61,221	59,702	56,253	54,952	53,534	44,237
Bank stock tax	70,845	73,317	70,978	81,943	94,393	102,233	91,752	98,302	92,414	105,229
Cigarette tax	53,095	33,875	39,969	33,155	35,155	34,500	31,840	33,135	25,860	28,550
Hotel and motel room tax	14,475	13,987	10,836	12,866	13,038	11,500	10,576	10,695	7,902	9,185
Restaurant food tax	436,421	440,781	469,331	487,128	497,286	515,271	536,202	524,473	531,584	550,805
Coal road improvement tax	214,272	193,686	191,614	237,445	160,221	198,370	223,155	107,719	70,663	33,727
Unrestricted intergovernmental revenue	63,052	63,443	69,912	86,329	62,828	31,672	56,117	60,080	60,070	35,252
Unrestricted investment earnings	6,209	10,898	5,407	4,595	7,805	5,988	4,407	2,507	1,696	1,676
Rental of Town property	10,370	10,026	13,768	11,564	8,596	8,240	10,049	44,152	14,342	14,270
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Other	186,034	187,194	255,960	248,148	346,326	190,321	223,921	198,484	160,275	425,880
Total governmental activities	2,699,146	2,693,454	2,870,271	2,947,721	3,248,280	3,014,427	3,018,623	2,915,167	2,766,529	3,018,474
Business-Type Activities:										
Unrestricted investment earnings	26,714	16,394	22,363	22,678	28,119	18,156	12,082	7,877	4,101	5,243
Other	-	-	-	-	-	-	-	-	-	-
Total business-type activities	26,714	16,394	22,363	22,678	28,119	18,156	12,082	7,877	4,101	5,243
Total primary government	\$ 2,725,860	\$ 2,709,848	\$ 2,892,634	\$ 2,970,399	\$ 3,276,399	\$ 3,032,583	\$ 3,030,705	\$ 2,923,044	\$ 2,770,630	\$ 3,023,717
Change in Net Position										
Governmental Activities	\$ 6,531	\$ 156,878	\$ (34,680)	\$ 370,138	\$ 629,261	\$ 399,788	\$ 480,727	\$ (182,692)	\$ 801,506	\$ 626,514
Business-Type Activities	(385,732)	1,614,449	370,861	567,482	639,036	1,621,153	1,373,323	675,764	433,483	(53,244)
Total primary government	\$ (379,201)	\$ 1,771,327	\$ 336,181	\$ 937,620	\$ 1,268,297	\$ 2,020,941	\$ 1,854,050	\$ 493,072	\$ 1,234,989	\$ 573,270

1) Trend data is only available for the last ten fiscal years due to implementation of GASB 34

TABLE 3

TOWN OF BIG STONE GAP, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 48,008	\$ 14,423	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	358,188	493,491	658,449	1,162,322	1,768,980	-	-	-	-	-
Nonspendable						\$ 486	\$ 3,794	\$ 1,588,988	\$ 1,581,391	\$ 1,587,132
Restricted						124,284	376,171	341,200	418,150	435,429
Committed						853,000	404,050	309,250	288,150	147,600
Assigned						219,516	214,338	69,424	101,539	366,522
Unassigned						999,672	1,247,385	170,111	354,236	500,743
Total general fund	<u>\$ 358,188</u>	<u>\$ 493,491</u>	<u>\$ 658,449</u>	<u>\$ 1,210,330</u>	<u>\$ 1,783,403</u>	<u>\$ 2,196,958</u>	<u>\$ 2,245,738</u>	<u>\$ 2,478,973</u>	<u>\$ 2,743,466</u>	<u>\$ 3,037,426</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue fund	64,283	66,905	69,665	72,213	74,325	-	-	-	-	-
Nonspendable						\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						76,162	77,850	79,505	80,547	-
Committed						-	-	-	-	-
Assigned						-	-	-	-	-
Unassigned						-	-	-	-	-
Total all other governmental funds	<u>\$ 64,283</u>	<u>\$ 66,905</u>	<u>\$ 69,665</u>	<u>\$ 72,213</u>	<u>\$ 74,325</u>	<u>\$ 76,162</u>	<u>\$ 77,850</u>	<u>\$ 79,505</u>	<u>\$ 80,547</u>	<u>\$ -</u>

- 1) Trend data is only available for the last TEN fiscal years due to implementation of GASB 34
- 2) GASB 54 was implemented for the year ended June 30, 2011 which changes the method of reporting fund balance.
- 3) Prior year amounts have not been restated for the implementation of Statement 54.

TABLE 4

TOWN OF BIG STONE GAP, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General property taxes	\$ 838,581	\$ 831,352	\$ 842,666	\$ 818,375	\$ 992,148	\$ 985,417	\$ 975,224	\$ 991,818	\$ 1,023,133	\$ 991,206
Other local taxes	1,587,388	1,515,284	1,683,880	1,750,302	1,832,613	1,781,841	1,739,047	1,613,572	1,508,317	1,532,062
Permits and licenses	6,366	6,830	19,624	4,698	3,184	4,672	3,726	3,078	2,382	3,814
Fines and forfeitures	45,240	39,717	31,517	41,271	32,447	35,080	28,408	19,335	22,755	30,032
Investment earnings	16,579	20,924	19,175	16,159	16,401	14,228	14,456	46,659	16,038	15,953
Charges for services	350,564	439,966	474,697	471,608	441,755	394,574	504,912	450,749	441,186	426,097
Other revenues	5,134	12,170	12,480	9,889	147,254	15,289	70,322	113,552	38,470	246,530
recovered cost	114,100	113,680	128,105	124,865	126,919	128,075	122,675	121,525	121,000	146,301
Intergovernmental	1,012,901	987,155	1,246,339	1,323,670	1,215,041	1,381,883	1,231,738	1,772,320	2,307,137	1,333,234
Total revenues	3,976,853	3,967,078	4,458,483	4,560,837	4,807,762	4,741,059	4,690,508	5,132,608	5,480,418	4,725,229
Expenditures										
General government	719,051	661,192	767,943	740,792	794,343	832,597	850,119	928,404	918,390	898,907
Public safety	1,209,963	1,283,365	1,658,265	1,714,114	1,693,280	1,741,189	1,588,682	1,797,006	1,719,110	1,522,304
Public works	1,104,490	1,165,941	1,088,867	949,673	1,209,698	1,038,581	1,434,840	1,294,684	1,288,192	1,030,370
Health and welfare	18,399	29,134	18,697	19,267	27,639	27,892	29,003	34,398	32,417	25,299
Parks, recreation and culture	559,841	545,334	635,346	429,224	491,009	530,460	746,227	705,609	801,096	889,901
Community development	112,581	4,768	37,805	132,685	8,907	133,659	202,116	155,970	408,345	190,337
Non-Departmental	3,762	19,745	15,264	4,469	331	100	-	-	-	-
Debt service										
Principal	117,331	121,450	125,357	80,130	26,550	27,370	29,009	68,326	52,596	65,404
Interest	19,775	13,021	7,455	3,479	3,727	2,907	2,568	16,125	15,804	15,573
Total expenditures	3,865,193	3,843,950	4,354,999	4,073,833	4,255,484	4,334,755	4,882,564	5,000,522	5,235,950	4,638,095
Excess of revenues over (under) expenditures	111,660	123,128	103,484	487,004	552,278	406,304	(192,056)	132,086	244,468	87,134
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	236,000	92,302	12,698	123,500
Insurance Recoveries	15,195	14,797	64,234	67,425	22,907	9,088	6,524	10,502	8,349	2,779
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	15,195	14,797	64,234	67,425	22,907	9,088	242,524	102,804	21,047	126,279
Net change in fund balance	\$ 126,855	\$ 137,925	\$ 167,718	\$ 554,429	\$ 575,185	\$ 415,392	\$ 50,468	\$ 234,890	\$ 265,515	\$ 213,413
 Debt service as a percentage of noncapital expenditures	 3.68%	 3.63%	 3.15%	 2.10%	 0.72%	 0.70%	 0.65%	 1.72%	 1.32%	 1.78%

TABLE 5

TOWN OF BIG STONE GAP, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF ALL PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Mobile Homes	Total Assessed Value	Total Direct Tax rate per \$100
				Real Estate	Personal Property			
2015	\$ 178,283,162	\$ 27,409,690	\$ 306,700	\$ 8,699,675	\$ 51,645	\$ 894,230	\$ 215,645,102	\$ 0.460
2014	177,662,445	27,945,443	168,840	6,932,855	466,022	1,017,440	214,193,045	0.478
2013	176,690,845	15,583,595	149,575	6,766,360	100,680	872,150	200,163,205	0.469
2012	176,093,320	25,913,899	167,110	8,193,105	60,590	938,860	211,366,884	0.461
2011	174,834,870	25,961,831	141,030	10,179,955	60,570	803,270	211,981,526	0.465
2010	173,298,221	25,419,146	147,540	9,506,935	61,100	766,300	209,199,242	0.474
2009	142,455,414	27,402,120	137,290	7,689,292	48,315	839,890	178,572,321	0.458
2008	140,791,413	27,097,226	118,670	8,310,736	105,154	711,290	177,134,489	0.476
2007	139,581,582	36,603,741	107,720	7,979,530	104,991	688,590	185,066,154	0.449
2006	138,217,270	26,394,076	85,215	9,931,068	122,021	637,007	175,386,657	0.478

1) Property is assessed at actual value therefore the assessed values are equal to actual value.

TABLE 6

TOWN OF BIG STONE GAP, VIRGINIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utilities		Overlapping Rates Wise County	
					Real Estate	Personal Property	Real Estate	Personal Property
2015	\$ 0.44	\$ 0.62	\$ 0.62	\$ 0.44	\$ 0.44	\$ 0.62	\$ 0.57	\$ 1.49
2014	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2013	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2012	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2011	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2010	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2009	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2008	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2007	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49
2006	0.44	0.62	0.62	0.44	0.44	0.62	0.57	1.49

1) Rates are presented per \$100 assessed value

TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
June 30, 2015 and June 30, 2006

TABLE 7

June 30, 2015:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	4,328,600	2.43%
Heritage Hall Holding	Nursing home and elderly care	3,054,800	1.71%
Bunch Family Limited Partners	Investment Company	3,092,400	1.73%
Lonesome Pine Hospital	Health care	2,325,000	1.30%
Heritage Hall Holding	Nursing home and elderly care	1,596,700	0.90%
Don Wax Estate	Estate	1,238,100	0.69%
Powell Valley National Bank	Banking operation	1,103,400	0.62%
One Center Corp	Shopping center	935,300	0.52%
Management Properties Inc.	Investment Company	954,600	0.54%
Don Wax Estate	Estate	834,600	0.47%

June 30, 2006:

<u>Name</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Real Estate Levy</u>
One Center Corp	Shopping center	\$ 3,935,200	2.85%
Heritage Hall Holding	Nursing home and elderly care	2,457,800	1.76%
Lonesome Pine Hospital	Health care	1,898,000	1.36%
Bunch Family Limited Partners	Investment Company	1,881,000	1.35%
Heritage Hall Holding	Nursing home and elderly care	1,329,200	0.95%
Powell Valley National Bank	Banking operation	921,500	0.66%
One Center Corp	Shopping center	780,500	0.56%
Naelcam LLC	Investment Company	740,100	0.53%
Gilliam, Carl G.	Investment Company	659,800	0.47%
Gardner, Lyle	Investment Company	648,700	0.46%

1) Schedule is ranked by the largest real estate tax assessed value.

TABLE 8

**TOWN OF BIG STONE GAP, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Years Ended June 30	Total Tax Levy (1)(2)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections(3)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2015	\$ 998,827	\$ 842,741	84.37%	\$ 52,467	895,208	89.63%	\$ 208,470	20.87%
2014	958,629	877,969	91.59%	50,584	928,553	96.86%	201,271	21.00%
2013	900,373	837,029	92.96%	61,030	898,059	99.74%	201,535	22.38%
2012	969,143	842,447	86.93%	41,724	884,171	91.23%	197,230	20.35%
2011	972,863	844,009	86.76%	49,976	893,985	91.89%	174,180	17.90%
2010	962,255	839,768	87.27%	60,251	900,019	93.53%	162,652	16.90%
2009	831,123	706,103	84.96%	31,218	737,321	88.71%	162,245	19.52%
2008	827,782	715,216	86.40%	40,322	755,538	91.27%	123,108	14.87%
2007	821,753	734,240	89.35%	15,275	749,515	91.21%	114,914	13.98%
2006	817,501	805,765	98.56%	14,753	820,518	100.37%	88,258	10.80%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Commonwealth reimbursement for auto tax included in total collections.

TOWN OF BIG STONE GAP, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Years Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds				
			Water Bonds	Wastewater Bonds			
2015	\$ 307,467	\$ -	\$ 10,356,456	\$ 5,228,174	\$ 15,892,097	22.13%	\$ 2,912
2014	249,371	-	10,687,765	5,527,071	16,464,207	19.80%	2,933
2013	289,271	-	10,753,327	5,983,051	17,025,649	21.39%	3,051
2012	265,295	-	11,066,168	6,574,194	17,905,657	18.94%	3,173
2011	58,304	-	11,286,791	7,081,552	18,426,647	20.19%	3,282
2010	85,674	-	11,435,252	7,668,127	19,189,053	15.23%	3,286
2009	112,224	-	11,019,967	4,263,321	15,395,512	13.13%	2,630
2008	-	79,596	8,485,007	2,776,890	11,341,493	10.48%	1,937
2007	18,762	186,191	8,620,389	2,964,524	11,789,866	14.04%	2,069
2006	36,404	289,999	8,435,936	2,933,541	11,695,880	13.46%	1,980

- Notes:
- (1) Center for Public Service at the University of Virginia and Big Stone Gap town staff estimates
 - (2) Includes all general long-term debt obligations
 - (3) Data only available for last ten years

TABLE 10

TOWN OF BIG STONE GAP, VIRGINIA
RATIO OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

	General Bonded Debt		
Fiscal Years Ended June 30	<u>Outstanding General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2015	\$ 9,757,904	4.52%	\$ 1,788
2014	10,145,875	4.74%	1,807
2013	10,370,509	5.18%	1,859
2012	10,762,717	5.09%	1,907
2011	10,796,397	5.09%	1,923
2010	11,079,045	5.30%	1,897
2009	7,063,175	3.96%	1,207
2008	-	0.00%	-
2007	18,762	0.01%	3
2006	36,404	0.02%	6

- 1) Details regarding the town's outstanding debt can be found in the notes to the financial statements

TABLE 11

TOWN OF BIG STONE GAP, VIRGINIA
LEGAL DEBT MARGIN INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed valuations										
Assessed value of taxed real property	\$ 138,217,270	\$ 139,581,582	\$ 140,791,413	\$ 142,455,414	\$ 173,298,221	\$ 174,834,870	\$ 176,093,320	\$ 176,690,845	\$ 177,662,445	\$ 178,283,162
Legal debt margin										
Debt limit - 10 percent of total assessed value	13,821,727	13,958,158	14,079,141	14,245,541	17,329,822	17,483,487	17,609,332	17,669,085	17,766,245	17,828,316
Debt applicable to limitation:										
Total bonded debt	11,405,882	11,603,675	11,261,897	15,395,312	19,189,053	18,426,647	17,905,657	17,025,649	16,464,207	15,892,097
Less - water and wastewater revenue bonds	(11,369,478)	(11,584,913)	(11,261,897)	(8,332,137)	(8,110,008)	(7,630,250)	(7,142,940)	(6,655,140)	(6,318,332)	(6,134,193)
Total amount of debt applicable to debt limitation	36,404	18,762	-	7,063,175	11,079,045	10,796,397	10,762,717	10,370,509	10,145,875	9,757,904
Legal debt margin	\$ 13,785,323	\$ 13,939,396	\$ 14,079,141	\$ 7,182,366	\$ 6,250,777	\$ 6,687,090	\$ 6,846,615	\$ 7,298,576	\$ 7,620,370	\$ 8,070,412
Total net debt applicable to the limit as a percentage of debt limit	0.26%	0.13%	0.00%	49.58%	63.93%	61.75%	61.12%	58.69%	57.11%	54.73%

TABLE 12

TOWN OF BIG STONE GAP, VIRGINIA
PLEDGED-REVENUE COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 2,495,051	\$ 1,640,066	\$ 854,985	\$ 370,347	\$ 359,425	\$ 729,772	1.17
2014	2,583,230	1,873,897	709,333	353,964	368,622	722,586	0.98
2013	2,493,380	1,943,576	549,804	344,147	344,590	688,737	0.80
2012	2,523,599	1,841,596	682,003	1,485,382	374,440	1,859,822	0.37
2011	2,558,553	1,665,123	893,430	294,930	415,768	710,698	1.26
2010	2,448,059	1,674,175	773,884	268,867	411,984	680,851	1.14
2009	2,590,632	1,556,626	1,034,006	1,739,185	361,187	2,100,372	0.49
2008	2,451,915	1,533,841	918,074	192,773	336,225	528,998	1.74
2007	1,619,820	1,535,984	83,836	186,661	348,932	535,593	0.16
2006	1,493,323	2,415,831	(922,508)	421,558	343,308	764,866	(1.21)

Fiscal Years Ended June 30	Wastewater Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 1,427,363	\$ 817,037	\$ 610,326	\$ 298,897	\$ 71,450	\$ 370,347	1.65
2014	1,550,445	822,170	728,275	455,980	73,592	529,572	1.38
2013	1,412,109	872,462	539,647	613,007	69,453	682,460	0.79
2012	1,424,508	848,351	576,157	868,556	75,513	944,069	0.61
2011	1,485,525	896,433	589,092	586,575	84,094	670,669	0.88
2010	1,384,341	796,734	587,607	382,611	64,894	447,505	1.31
2009	1,266,356	786,454	479,902	729,031	17,333	746,364	0.64
2008	1,226,704	773,575	453,129	381,101	18,570	399,671	1.13
2007	1,251,343	655,408	595,935	381,701	19,799	401,500	1.48
2006	1,222,785	655,617	567,168	359,033	20,967	380,000	1.49
2005	1,308,352	599,795	708,557	336,417	22,085	358,502	1.98

1) Details regarding the town's outstanding debt can be found in the notes to the financial statements.
 Operating expenses do not include interest, depreciation, or amortization expense.

TABLE 13

**TOWN OF BIG STONE GAP, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN YEARS**

Fiscal Years Ended June 30	Population	Personal Income	Per Capita Median Income	Median Age	School Enrollment	Unemployment Rate
2015	5,457	\$ 71,808,663	13,159	33.3	1,793	8.90%
2014	5,614	83,132,112	14,808	35.0	1,813	4.60%
2013	5,580	79,593,120	14,264	36.0	1,859	5.50%
2012	5,643	94,542,822	16,754	39.4	1,887	7.70%
2011	5,614	91,249,956	16,254	40.2	1,758	7.35%
2010	5,839	126,028,976	21,584	39.8	1,795	6.80%
2009	5,854	117,267,328	20,032	39.2	1,762	6.60%
2008	5,854	108,176,066	18,479	39.8	1,733	4.10%
2007	5,698	83,960,030	14,735	38.6	1,647	4.10%
2006	5,906	86,877,260	14,710	39.7	1,652	4.80%

- 1) Source: census data, Spurling's Best Places, citymelt.com and city-date.com
 2) Data only available for last ten years

TABLE 14

**TOWN OF BIG STONE GAP, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO**

June 30, 2015

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge State Prison	Public Agency	250-499
Mountain Empire Community College	Public Agency	250-499
Mountain Empire Older Citizens	Public Agency	250-499
Town of Big Stone Gap	Public Agency	50-99

June 30, 2006

<u>Employer</u>	<u>Product or Service</u>	<u>Total Estimated Employment*</u>
Wallens Ridge Correctional Center	Public Agency	438
Lonesome Pine Hospital	Health Care	404
Mountain Empire Community College	Public Agency	374
Town of Big Stone Gap	Public Agency	85

- 1) Fiscal year 2005-2006 is first year of data available
2) Source: Virginia Employment Commission

TABLE 15

TOWN OF BIG STONE GAP, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION (UNADITED)
LAST TEN FISCAL YEARS

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Management services	1	1	1	1	1	1	1	1	1	1
Finance	2	2	2	2	2	2	2	3	3	3.5
Planning	0	0	0	0	0	0	0	0	0	0
Building	1	1	1	1	1	1	1	1	1	1
Other	6.5	7	8	8	6.5	7.5	5.5	4	4	3.5
Public safety										
Officers	16	17	18	18	16.5	16.5	16	15	15	15
Civilians	3	3	3	3	3	4	4	3	3	3
Public works										
Refuse collection	3	3	4	4	4	3	5	3	4	4
Streets	2	10	7	8	7	7	6	6	6	6
other	10	9	10	9	11	9	8.5	9	9.5	11
Parks and recreation										
Parks	6.5	5.5	6	5.5	5.5	6	7	2	5.5	5
Other	7.5	7.5	8	5.5	6	4	5	1	5	3.5
Water operations	5	6	7	7	7.5	7	8	5	12.5	9
Wastewater operations	4.5	4.5	4.5	4.5	4	3.5	4	3	3.5	3.5

1) Source: Town's finance department

TABLE 16

TOWN OF BIG STONE GAP, VIRGINIA
OPERATING INDICATORS BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public safety										
Citations written	1,225	1,240	1,583	1,818	1,288	1,420	1,326	694	1,188	1,161
Water operations										
Number of service connections	3,925	3,911	3,922	3,941	3,947	3,930	3,841	3,861	3,883	3,844
Average daily consumption in gallons	852,000	762,000	762,000	884,034	786,236	799,009	734,759	894,172	760,107	653,728
Maximum daily capacity of plant in gallons	3,182,000	3,180,000	3,180,000	3,180,000	3,180,000	4,000,000	3,200,000	3,200,000	3,200,000	3,200,000
Wastewater operations										
Number of service connections	2,664	2,723	2,639	2,438	2,660	2,639	2,701	2,749	2,601	2,585
Average daily treatment in gallons	1,580,000	1,580,000	1,580,000	1,796,167	1,251,478	1,533,083	1,758,417	1,904,167	1,474,000	1,932,600
Maximum daily capacity of plant in gallons	2,000,000	2,000,000	2,000,000	2,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

TOWN OF BIG STONE GAP, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

TABLE 17

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	10	10	10	10	10	11	10	10	11	11
Public works										
Streets (miles)	56	56	56	56	56	56	56	68	68	68
Streetlights	574	574	574	574	574	574	574	571	571	571
Traffic signals	7	7	7	7	7	7	7	7	7	7
Water operations										
Miles of water main	56	56	56	56	56	56	56	56	47	85
Number of fire hydrants	300	300	300	300	300	300	300	300	361	361
Wastewater operations										
Miles of sanitary sewers	12	12	12	12	12	12	12	12	34	34
Miles of storm sewers	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	6	6	6	6	6	6	6	6	7	7